



# WEEKLY ECONOMIC DIGEST

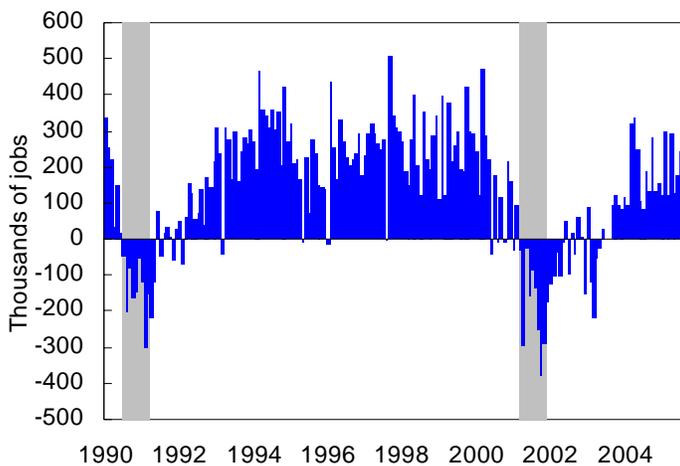


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF  
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

September 6, 2005

## Uncertainty from Katrina Overshadows August Employment Report

Change in Nonfarm Payroll Employment  
January 1990 - August 2005

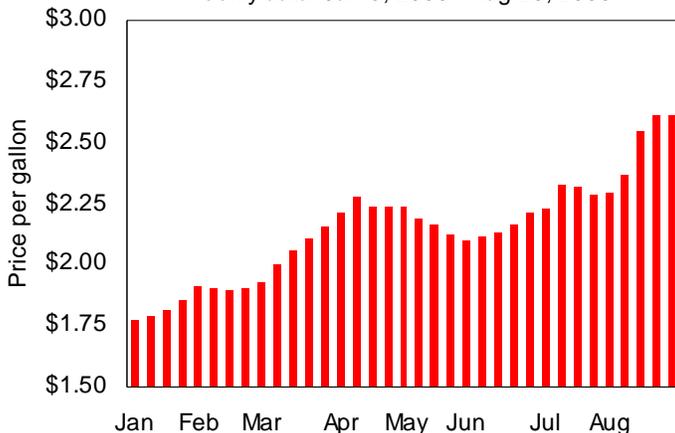


Source: Bureau of Economic Analysis, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

Average U.S. Retail Price of Regular Grade Gasoline

Weekly data: Jan 3, 2005 - Aug 29, 2005



Source: Energy Information Agency, U.S. Department of Energy.

- **Payroll growth cooled in August.** Total employment on nonfarm payrolls grew by 169,000 jobs last month (see top chart). That pace was below what financial markets had predicted and well below the revised estimate of July's advance of 242,000 jobs. The average hourly earnings of production and nonsupervisory workers grew by 0.1 percent in August, down from July's 0.4 percent rise.
- **The unemployment rate dropped slightly.** The civilian unemployment rate declined by 0.1 percentage point to 4.9 percent in August, as growth in the number of people employed outpaced growth in the labor force.
- **Katrina has already pushed gasoline prices higher.** The employment data for August do not reflect the effects of Hurricane Katrina. It is already clear, however, that disruptions in the distribution of refined gasoline to much of the country and uncertainties about future supplies have exacerbated this year's rise in retail gas prices. Retail gasoline prices were already rising prior to Katrina (see bottom chart) and are now poised to exceed \$3.00 per gallon.
- **The ultimate economic effects of Katrina remain highly uncertain.** Hurricane Katrina already has had devastating human and property costs that cannot be recouped. Past hurricanes have had little impact on the national economy, as the economic activity from rebuilding offset some of the lost income and employment in the affected areas. But Katrina may be different. If protracted, the disruption of oil and gas supplies from the Gulf of Mexico, the loss of access to the port of New Orleans, and the damage to roads throughout the region could have far more serious national economic repercussions.

The Economy at a Glance	Aug	Jul	Jun	May	2005 Qtr 2	2005 Qtr 1	2004 Qtr 4	2004 Qtr 3	2004	2003
<b>Economic Activity</b>										
Real GDP (% growth)	—	—	—	—	3.3	3.8	3.3	4.0	4.2	2.7
Industrial Production (% growth)	n.a.	1.2	10.0	3.7	1.4	3.6	4.5	2.7	4.2	0
Capacity Utilization (level, %)	n.a.	79.7	79.8	79.2	79.3	79.3	78.8	78.2	78.1	75.5
Civilian Unemployment Rate (level, %)	4.9	5.0	5.0	5.1	5.1	5.3	5.4	5.5	5.5	6.0
Housing Starts (thousands)	n.a.	2042	2045	2041	2038	2083	1973	1974	1950	1854
Real Disposable Personal Income (% growth)	n.a.	0	6.4	2.1	2.0	1.0 <sup>#</sup>	4.3 <sup>#</sup>	2.8	3.1 <sup>#</sup>	2.4
Retail Sales (% growth)	n.a.	23.4	22.4	-3.9	10.6	6.0	10.4	6.5	7.2	4.3
Personal Saving Rate (level, %)	n.a.	-0.6	0	0.5	0.3	0.5	1.2 <sup>#</sup>	1.2	1.5 <sup>#</sup>	2.1
<b>Inflation &amp; Productivity</b>										
CPI-U Inflation, all items (% growth)	n.a.	6.2	0	-1.2	4.2	2.4	3.6	1.6	2.7	2.3
Core CPI-U Inflation (% growth)	n.a.	1.2	1.2	1.2	2.0	2.6	2.3	1.7	1.8	1.5
Employment Cost Index (% growth)	—	—	—	—	2.4	2.4	3.2	4.1	3.9	4.0
Output per Hour (% growth)*	—	—	—	—	2.2	3.2	2.5	1.3	3.4	3.8
<b>Financial Markets</b>										
T-bill Rate, 3-month (level, %)	3.44 <sup>+</sup>	3.22	2.97	2.84	2.86	2.54	2.01	1.49	1.37	1.01
T-note Rate, 10-years (level, %)	4.26 <sup>+</sup>	4.18	4.00	4.14	4.16	4.30	4.17	4.30	4.27	4.01
Federal Funds Rate (level, %)	3.50 <sup>+</sup>	3.26	3.04	3.00	2.94	2.47	1.95	1.43	1.35	1.13
Dow Jones Industrial Avg (index level)	10554	10545	10487	10377	10382	10648	10362	10130	10317	8994

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

\* Subject to revision over the next week.

# Adjusted by the JEC staff to exclude the temporary effects of Microsoft's special dividend payment in December 2004.

+ Estimated by the JEC staff.

### Upcoming Economic Releases:

- **Productivity and Costs: Second Quarter 2005, Revised** [Release: Wednesday, September 7]
- **Consumer Credit: July 2005** [Release: Thursday, September 8]
- **Monthly Wholesale Trade, Sales and Inventories: July 2005** [Release: Thursday, September 8]
- **U.S. Import and Export Prices: August 2005** [Release: Friday, September 9]